
FISCAL UPDATE Article

Fiscal Services Division

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AUDIT REPORT: IOWA DEPARTMENT OF CORRECTIONS INSTITUTIONS

Audit Report Released. The State Auditor's Office released a combined report on the institutions under the control of the Iowa Department of Corrections for the year ended June 30, 2016. The Auditor produced findings and provided recommendations for the Iowa State Penitentiary, Mount Pleasant Correctional Facility, Clarinda Correctional Facility, and Fort Dodge Correctional Facility. All responses provided by the institutions were accepted by the Auditor.

Iowa State Penitentiary. The Auditor made the following findings related to internal control and statutory requirements:

- **Payroll.** The audit found that one individual has the ability to initiate and approve P-1 documents for payroll actions, such as adding new employees and recording pay raises. The Auditor recommends that the Penitentiary develop and implement procedures to segregate the duties of the human resources associates from the duties of payroll. The Penitentiary responded that it will review current policies and discuss the implementation of new segregation of duties with management.
- **Unclaimed Property.** The audit found the Penitentiary did not remit obligations outstanding for more than three years to the Office of the Treasurer of State as required by Iowa Code section [556.11](#). The Auditor recommends the outstanding checks be reviewed annually, and items over three years old should be remitted to the Office of the Treasurer of State as required. The Penitentiary responded that it will review the outstanding check register to ensure checks are sent to the Treasurer of State.

Mount Pleasant Correctional Facility. The Auditor made the following findings related to internal control and statutory requirements:

- **Capital Assets.** Iowa Code section [7A.30](#) requires each department of the State to maintain a written, detailed, and up-to-date inventory of property under its charge, control, and management. The audit found the approval for all deletions was completed at the end of the fiscal year, not at the time the asset was disposed of. In addition, one of the assets reported on the Generally Accepted Accounting Principles (GAAP) package was for an item disposed of in a prior year, and capital assets reported at year end on the GAAP package did not agree with the capital assets listing maintained by the Department on June 30, 2016. The Facility responded that it has clarified the policy regarding proper communication on the disposal of property with business office staff and all department heads to ensure the business manager is notified at the time of disposal, and not at the time of physical inventory.
- **Targeted Small Business Procurement Goals.** The audit found the targeted small business (TSB) procurement goal for the Facility for FY 2016 was not set at a level greater than FY 2015 actual TSB spending as required by Iowa Code section [73.16](#). The Auditor recommends the Facility establish a goal that exceeds the 2015 actual TSB spending as required, or seek legislation to change this statutory requirement. The Facility responded that the business manager has set a goal at a level exceeding the procurement level from certified TSBs during the 2016 fiscal year, with the expectation of quarterly reporting to the Iowa Economic Development Authority.

Clarinda Correctional Facility. The Auditor made the following findings related to internal control and statutory requirements:

- **Segregation of Duties.** The audit found that mail is not opened and distributed by someone other than accounting personnel. A list of receipts is not prepared by the mail opener. Responsibilities for receipt collection, deposit preparation, and reconciliation functions are not segregated from the duties

of recording and accounting for receipts. Also, three individuals have the ability to approve a P-1 document at both the personnel assistant and department levels, as well as the ability to approve timesheets at both employee and supervisor level. The Auditor recommends the Facility review its control procedures to obtain maximum internal control possible under the circumstances, utilizing currently available personnel. The Facility responded that the business office staff will develop a procedure for the segregation of duties as it relates to opening the mail with checks.

- **Capital Assets.** The audit found there are no procedures for the periodic testing of capital assets by an individual having no responsibility for the assets, and there are no procedures in place to ensure capital asset tags are properly affixed on the assets. The Auditor recommends the Facility establish written procedures to ensure a detailed, up-to-date capital asset listing is maintained. The Facility responded that it now has a written procedure for testing all capital assets, and that the procedure started on July 1, 2016.
- **GAAP Package – Accumulated Depreciation.** The audit found the Facility overstated the amount of depreciation in the FY 2016 GAAP package by \$39,743 due to the Facility inadvertently including the depreciation for various land and building capital assets previously belonging to the Clarinda Mental Health Institute, which closed June 30, 2015. The Facility responded it will ensure this is fixed for the GAAP package for FY 2017, as well as ensuring that all figures are accurate.
- **Timely Deposits.** The audit found that a total of 24 receipts out of 30 tested were not deposited in a timely manner. The Auditor recommends the Facility should deposit 90.0% of all fees collected with the Office of the Treasurer of State within 10 business days following collection. Receipts should be recorded on the date of the actual receipt and not when the deposit is prepared. The Facility responded that it has started recording the receipt of each check as the check is received.

Fort Dodge Correctional Facility. The Auditor made the following finding related to statutory requirements:

- **Personal Service Contracts.** The audit found that one renewed personal service contract did not include a pre-contract questionnaire (PCQ) or a termination clause. The Auditor recommends the Facility ensure all required questionnaires and clauses are included in the personal service contracts used by the Facility, and further ensure the personal service contracts are in compliance with Iowa Administrative Code [11.118](#) and Department of Administrative Services procedure 240.102. The Facility replied that the identified contract expires on April 30, 2018, and that the Facility will ensure any replacement contract follows necessary criteria.

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